CWT INTERNATIONAL LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 521)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of CWT International Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2023 with comparative figures for the six months ended 30 June 2022. These interim results have been reviewed by the Company's audit committee of the Board.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023 − unaudited

		Six months ended 30 June	
		2023	2022
	NOTES	***HK$'000***	*HK$'000*
Revenue	*4*	**16,940,835**	22,348,157
Cost of sales		**(16,058,818)**	(21,417,055)
Gross profit		**882,017**	931,102
Other income		**219,814**	46,274
Other net gain	*6*	**1,567**	155
Selling and distribution costs		**(226,944)**	(222,845)
Administrative expenses		**(411,598)**	(381,620)
Finance costs	*7*	**(247,288)**	(164,823)
Share of profits less losses of associates, net of tax		**15,878**	30,022
Share of profits less losses of joint ventures, net of tax		**(3,417)**	4,082

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME − CONTINUED

For the six months ended 30 June 2023 − unaudited

		Six months ended 30 June	
		2023	2022
	NOTES	***HK$'000***	*HK$'000*
Profit before taxation	*8*	**230,029**	242,347
Income tax	*9*	**(70,786)**	(70,139)
Profit for the period		**159,243**	172,208
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Defined benefit plan remeasurements		**–**	33,245
Tax on other comprehensive income		**–**	(3,953)
Net changes in fair value of financial assets measured at fair value through other comprehensive income		**–**	(75)
		–	29,217
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of financial statements of oversea subsidiaries		**(18,372)**	(113,304)
Effective portion of changes in fair value of cash flow hedges		**(33)**	(86)
Share of other comprehensive income of associates and joint ventures		**(1,748)**	6,452
		(20,153)	(106,938)
Other comprehensive income for the period		**(20,153)**	(77,721)
Total comprehensive income for the period		**139,090**	94,487

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME − CONTINUED

For the six months ended 30 June 2023 − unaudited

		Six months ended 30 June	
		2023	2022
	NOTE	***HK$'000***	*HK$'000*
Profit for the period attributable to			
Owners of the Company		**135,023**	127,048
Non-controlling interests		**24,220**	45,160
Profit for the period		**159,243**	172,208
Total comprehensive income attributable to:			
Owners of the Company		**115,369**	61,673
Non-controlling interests		**23,721**	32,814
Total comprehensive income for the period		**139,090**	94,487
EARNINGS PER SHARE	*11*		
Basic and diluted *(HK cents)*		**1.18**	1.11

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023 – unaudited

	NOTE	**30 June 2023** **HK$'000**	31 December 2022 HK$'000
Non-current assets			
Property, plant and equipment		**3,386,906**	3,483,141
Right-of-use assets		**2,212,067**	2,266,476
Intangible assets		**146,503**	159,583
Interest in associates		**183,988**	203,717
Interest in joint ventures		**200,753**	212,208
Other financial assets		**188,006**	196,682
Prepayments, deposits and other receivables		**30,801**	29,521
Other non-current assets		**18,633**	18,487
Derivative financial instruments		**26,622**	39,121
Deferred tax assets		**48,256**	57,165
		6,442,535	6,666,101
Current assets			
Other financial assets		**1,411,890**	1,412,592
Inventories		**2,691,287**	3,234,355
Trade receivables	*12*	**5,695,775**	12,392,161
Prepayments, deposits and other receivables		**10,205,385**	10,310,826
Contract assets		**110,677**	97,778
Derivative financial instruments		**557,339**	598,484
Tax recoverable		**23,366**	13,089
Pledged bank deposits		**58,731**	87,457
Cash and cash equivalents		**2,293,327**	1,691,622
		23,047,777	29,838,364

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – CONTINUED
At 30 June 2023 – unaudited

	NOTES	**30 June 2023** **HK$'000**	31 December 2022 HK$'000
Current liabilities			
Contract liabilities		**69,200**	173,763
Trade and other payables	*13*	**16,232,299**	22,163,537
Loans and borrowings		**3,412,740**	4,177,317
Lease liabilities		**274,295**	299,313
Derivative financial instruments		**467,905**	645,476
Current tax payable		**84,113**	63,496
		20,540,552	27,522,902
Net current assets		**2,507,225**	2,315,462
Total assets less current liabilities		**8,949,760**	8,981,563
Non-current liabilities			
Trade and other payables	*13*	**108,099**	107,504
Loans and borrowings		**1,492,553**	1,554,779
Lease liabilities		**2,130,364**	2,154,913
Derivative financial instruments		**28,997**	65,904
Defined benefit obligations		**17,972**	17,871
Deferred tax liabilities		**241,578**	249,390
		4,019,563	4,150,361
Net assets		**4,930,197**	4,831,202

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – CONTINUED

At 30 June 2023 – unaudited

	30 June 2023	31 December 2022
	HK$'000	*HK$'000*
Capital and reserves		
Share capital	**4,731,480**	4,731,480
Reserves	**18,492**	(101,480)
Equity attributable to owners of the Company	**4,749,972**	4,630,000
Non-controlling interests	**180,225**	201,202
Total equity	**4,930,197**	4,831,202

NOTES:

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Hong Kong HNA Holding Group Co., Limited, a company incorporated in Hong Kong with limited liability, is the immediate parent of the Company. Hainan HNA No.2 Trust Management Service Co., Ltd* (海南海航二號信管服務有限公司), a limited liability company incorporated in the People's Republic of China (the "**PRC**"), is the intermediate parent of the Company. HNA Group Bankruptcy Reorganisation Specialised Service Trust* (海航集團破產重整專項服務信託), a trust registered in the PRC, is the ultimate controlling party of the Company. Neither of them produces financial statements available for public use.

2. BASIS OF PREPARATION

The unaudited consolidated interim financial information set out in this announcement does not constitute the unaudited interim financial report of the Group for the six months ended 30 June 2023 but is extracted from the draft unaudited interim financial report which has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") including compliance with Hong Kong Accounting Standard ("**HKAS**") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

The draft interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

The financial information relating to the financial year ended 31 December 2022 that is included in this preliminary announcement or the draft interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information related to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "**Companies Ordinance**") is as follows:

The statutory financial statements for the year ended 31 December 2022 will be delivered to the Registrar of Companies in due course.

The Company's auditor has reported on those financial statements. The auditor's report for the year ended 31 December 2022 was qualified; did not include an emphasis of matter; contained a statement under sections 407(2) and 407(3) of the Companies Ordinance; and did not contain a statement under section 406(2) of the Companies Ordinance.

3. CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA to this interim financial report for the current accounting period:

- HKFRS 17, *Insurance contracts*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *Income taxes: International tax reform – Pillar Two model rules*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in the financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4. REVENUE

The Group's operations and main revenue streams are those described in the last annual financial statements. The Group's revenue is derived from contracts with customers within the scope of HKFRS 15.

Disaggregation of revenue from contracts with customers by major products and service lines and geographical location of customers is as follows:

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
Disaggregated by major products and service lines		
Freight services	**1,577,214**	3,357,929
Logistics services	**780,599**	802,767
Commodity trading and related services	**13,833,091**	17,396,028
Equipment and facility maintenance services	**352,326**	312,188
Design-and-build	**902**	2,968
Broking services	**320,885**	315,631
Others	**75,818**	160,646
	16,940,835	22,348,157

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
Disaggregated by geographical location of customers		
PRC	**11,738,582**	14,218,067
Singapore	**1,384,686**	4,590,332
Korea	**806,008**	651,438
Hong Kong Special Administrative Region of the PRC	**32,138**	36,999
Other Asia Pacific jurisdictions	**1,877,094**	1,497,324
Europe	**863,374**	1,007,878
North America	**155,354**	180,145
Africa Continent	**67,074**	121,556
South America	**16,525**	44,418
	16,940,835	22,348,157

5. SEGMENT INFORMATION

Information reported to the chief operating decision maker ("**CODM**"), being the most senior executive management of the Group, for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided.

In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following reportable segments.

Logistics services

This reportable segment includes warehousing, transportation, freight forwarding and cargo consolidation, supply chain management services.

Commodity marketing

This reportable segment includes physical trading and supply chain management of base metal non-ferrous concentrates with predominant focus on copper, lead, zinc and other minor metals.

Engineering services

This reportable segment includes management and maintenance of facilities, vehicles and equipments, supply and installation of engineering products, property management, and design-and-build for logistic properties.

Financial services

This reportable segment includes structured trading of commodities, provision of financial brokerage services and assets management services.

Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment profit before taxation represents operating revenue less expenses. Segment assets represents assets directly managed by each segment, and primarily include inventories, receivables, property, plant and equipment and right-of-use assets. Segment liabilities represent liabilities directly managed by each segment, and primarily include payables, loans and borrowings and lease liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment profit includes the Group's share of profit arising from the activities of the Group's associates and joint ventures. Items not managed by or derived from the operations of reportable segments are classified as "unallocated" in the segment reconciliations.

The measure used for reportable segment profit/(loss) is profit/(loss) before taxation.

(a) Segment revenue and results

Disaggregation of revenue from contracts with customers by timing of revenue recognition as well as information regarding the Group's reportable segments as provided to the Group's CODM for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2023 and 2022 is set out below:

	Logistics services		Commodity marketing		Engineering services		Financial services		Elimination		Total	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Reportable segment revenue	**2,443,510**	4,330,281	**12,862,945**	13,817,001	**358,967**	322,484	**1,291,031**	3,894,658	**(15,618)**	(16,267)	**16,940,835**	22,348,157
Inter-segment revenue	**(15,366)**	(16,078)	**–**	–	**(252)**	(189)	**–**	–	**15,618**	16,267	**–**	–
Revenue from external customers	**2,428,144**	4,314,203	**12,862,945**	13,817,001	**358,715**	322,295	**1,291,031**	3,894,658	**–**	–	**16,940,835**	22,348,157
Revenue from external customers disaggregated by timing of revenue recognition												
Point in time	**870,747**	1,696,871	**12,862,945**	13,817,001	**78,857**	199,662	**1,291,031**	3,894,658	**–**	–	**15,103,580**	19,608,192
Over time	**1,557,397**	2,617,332	**–**	–	**279,858**	122,633	**–**	–	**–**	–	**1,837,255**	2,739,965
	2,428,144	4,314,203	**12,862,945**	13,817,001	**358,715**	322,295	**1,291,031**	3,894,658	**–**	–	**16,940,835**	22,348,157
Revenue from external customers disaggregated by major products and services lines												
Freight services	**1,577,214**	3,357,929	**–**	–	**–**	–	**–**	–	**–**	–	**1,577,214**	3,357,929
Logistics services	**780,599**	802,767	**–**	–	**–**	–	**–**	–	**–**	–	**780,599**	802,767
Commodity trading and related services	**–**	–	**12,862,945**	13,817,001	**–**	–	**970,146**	3,579,027	**–**	–	**13,833,091**	17,396,028
Equipment and facility maintenance services	**–**	–	**–**	–	**352,326**	312,188	**–**	–	**–**	–	**352,326**	312,188
Design-and-build	**–**	–	**–**	–	**902**	2,968	**–**	–	**–**	–	**902**	2,968
Broking services	**–**	–	**–**	–	**–**	–	**320,885**	315,631	**–**	–	**320,885**	315,631
Others	**70,331**	153,507	**–**	–	**5,487**	7,139	**–**	–	**–**	–	**75,818**	160,646
	2,428,144	4,314,203	**12,862,945**	13,817,001	**358,715**	322,295	**1,291,031**	3,894,658	**–**	–	**16,940,835**	22,348,157
Reportable segment profit/(loss) before taxation	**98,844**	275,160	**44,089**	(13,695)	**15,846**	12,093	**144,503**	55,289	**1,792**	2,155	**305,074**	331,002
As at 30 June/31 December												
Reportable segment assets	**7,618,339**	7,851,953	**5,253,745**	6,659,290	**507,041**	494,686	**15,979,477**	21,281,853	**(520,239)**	(493,743)	**28,838,363**	35,794,039
Reportable segment liabilities	**4,663,017**	4,958,029	**4,024,756**	5,479,427	**287,223**	288,841	**14,857,903**	20,323,837	**(520,239)**	(492,330)	**23,312,660**	30,557,804

(b) Reconciliation of reportable segment profit before taxation

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
Reportable segment profit before taxation	**305,074**	331,002
Unallocated income and gains	**1,548**	314
Unallocated expenses	**(49,516)**	(51,048)
Net foreign exchange loss	**(9,057)**	(19,877)
Finance costs	**(18,020)**	(18,044)
Consolidated profit before taxation	**230,029**	242,347

(c) Information about major customers

No single customer contributed over 10% or more to the Group's consolidated revenue for both six months ended 30 June 2023 and 2022.

6. OTHER NET GAIN

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
Net gain on disposal of property, plant and equipment	**1,482**	418
Net loss on disposal of subsidiaries	**(4,603)**	–
Net foreign exchange gain/(loss)	**7,709**	(2,378)
Net (loss)/gain on financial instruments carried at fair value through profit or loss ("**FVPL**")	**(849)**	246
Others	**(2,172)**	1,869
	1,567	155

7. FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
Bank charges	**22,692**	28,851
Interest expense on:		
– Bank borrowings and other facilities	**151,165**	73,028
– Bonds	**1,347**	–
– Lease liabilities	**51,945**	56,194
Other finance cost	**20,139**	6,750
	247,288	164,823

8. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**106,199**	105,231
Depreciation of right-of-use assets	**167,309**	197,733
Amortisation of intangible assets	**13,890**	15,319
Dividend income	**(252)**	(6)
(Reversal)/recognition of impairment loss on trade receivables	**(10,248)**	4,464
Cost of inventories sold	**13,586,612**	17,273,224
Interest income	**(205,097)**	(26,817)
Government grants	**(4,626)**	(7,580)

9. INCOME TAX

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
Current tax		
Provision for the period – Income tax outside Hong Kong	**65,283**	87,308
Under/(over)-provision in respect of prior years	**1,429**	(12,640)
	66,712	74,668
Deferred tax		
Origination and reversal of temporary differences	**1,369**	(11,273)
Withholding tax	**2,705**	6,744
Total income tax expense	**70,786**	70,139

For the six months ended 30 June 2023 and 2022, no provision for Hong Kong Profits Tax has been made as the Group had no assessable profits arising in Hong Kong for both periods.

Taxation outside Hong Kong is calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the relevant jurisdictions.

10. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the six months ended 30 June 2023 and 2022, nor has any dividend been proposed after the end of reporting period.

11. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share is based on:

(i) The profit for the period attributable to owners of the Company

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
Profit attributable to owners of the Company	**135,023**	127,048

(ii) the weighted average number of ordinary shares of 11,399,996,101 (six months ended 30 June 2022: 11,399,996,101) in issue during the period.

(b) Diluted earnings per share

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2023 and 2022 in respect of a dilution as share options subsisting during the periods had an anti-dilutive effect on the basic earnings per share amounts presented.

12. TRADE RECEIVABLES

	30 June 2023 *HK$'000*	31 December 2022 *HK$'000*
Trade debtors and bills receivables at amortised cost, net of loss allowance	**4,797,966**	10,610,020
Trade receivables containing provisional pricing features, measured at FVPL	**897,809**	1,782,141
	5,695,775	12,392,161

As at the end of the reporting period, the ageing analysis of trade debtors and bills receivables based on the invoice date and net of loss allowance, is as follows:

	30 June 2023 *HK$'000*	31 December 2022 *HK$'000*
0–90 days	**1,523,570**	2,443,275
91–180 days	**73,464**	9,933,051
181–365 days	**4,097,443**	14,043
Over 1 year	**1,298**	1,792
	5,695,775	12,392,161

All of the trade receivables are expected to be recovered within one year.

As at 30 June 2023, trade receivables include US$522,231,000 (approximately HK$4,091,941,000) (31 December 2022: US$1,256,801,000 (approximately HK$9,793,370,000)) that relate to 140 commodity trading transactions. The balance was fully settled on 29 August 2023.

As at 30 June 2023, trade receivables due from the Group's associates, joint ventures and other related parties amounted to HK$11,941,000, HK$4,484,000 and HK$5,336,000 (31 December 2022: HK$12,624,000, HK$5,317,000 and HK$3,205,000), respectively.

13. TRADE AND OTHER PAYABLES

	NOTES	**30 June 2023 HK$'000**	31 December 2022 HK$'000
Trade and bills payables			
– measured at amortised cost		**4,034,538**	9,626,828
– containing provisional pricing features and measured at FVPL		**833,177**	1,036,079
	(a)	**4,867,715**	10,662,907
Other payables, deposit received and accruals	*(b)*	**11,472,683**	11,608,134
		16,340,398	22,271,041
Less: non-current portion		**(108,099)**	(107,504)
		16,232,299	22,163,537

(a) Trade and bills payables

The following is an ageing analysis of the trade and bills payables based on the invoice date as at the end of the reporting period:

	30 June 2023 HK$'000	31 December 2022 HK$'000
0–90 days	**689,317**	956,329
91–180 days	**52,358**	9,668,149
181–365 days	**4,108,243**	16,684
1–2 years	**11,634**	16,062
Over 2 years	**6,163**	5,683
	4,867,715	10,662,907

As at 30 June 2023, trade payables include US$522,179,000 (approximately HK$4,091,534,000) (31 December 2022: US$1,236,565,000 (approximately HK$9,635,685,000)) that relate to 140 commodity trading transactions. The balance was fully settled on 29 August 2023.

(b) Other payables, deposit received and accruals

As at 30 June 2023, included in the balance are amounts segregated for customers of HK$9,802,031,000 (31 December 2022: HK$9,921,541,000).

Brought forward from the end of the reporting period in 2022, a provision of HK$188,206,000 was made by Straits (Singapore) Pte. Ltd. ("**SSPL**") and Straits Financial Group Pte. Ltd. ("**SFG**"), indirect subsidiaries of the Group, in connection with a litigation (the "**Case**") which involved certain repurchase agreements.

On 16 February 2022, the judgment was handed down in favour of the plaintiff. By an order of Court dated 16 February 2022, a stay of execution of the judgment against SSPL was granted until 4 March 2022. By an order of Court dated 4 March 2022, the stay of execution of the judgment as against SSPL was extended further until the latest of (i) 26 March 2022, or (ii) dismissal or withdrawal of the SSPL's application to the Court of Appeal for permission to appeal where such an application is made before 26 March 2022, or (iii) determination by the Court of Appeal of the SSPL's appeal, where application has been made before 26 March 2022 and permission to appeal was granted. The Court of Appeal heard the Case on 13 – 14 December 2022. However, the appeal was dismissed on 21 December 2022. In February 2023, SSPL sought a further appeal to the United Kingdom Supreme Court, but this was dismissed by the Supreme Court in June 2023.

In July 2022, the plaintiff commenced a second claim against the SSPL's immediate holding company and intermediate holding company, in connection with the above litigation. The defendants have challenged the jurisdiction of the English Courts to hear the further claim.

In March 2023, the plaintiff met with management with a view to have the matter settled out-of-court. After many months of negotiation, parties were able to reach a consensus for full and final settlement of all liabilities under the judgment, as well as all claims and proceedings in the second suit in August 2023. As a result, management has made an additional provision of HK$125,119,000 during the year ended 31 December 2022, on top of the net asset value of the subsidiary that was provided in the previous year, to reflect the agreed settlement sum.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The global economy is showing signs of improvement, but the upturn remains weak amid significant downside risks. Lower energy prices are helping to bring down headline inflation and ease strains on household budgets, and the earlier-than-expected reopening of China has provided a boost to global activity. However, core inflation is proving persistent and the impact of higher interest rates is increasingly being felt across the economy. Supply chain pressures have eased, with lower shipping costs, greater container ship capacity and shorter delivery times. Supply chain demand has been stagnant over the first half of 2023 and remains at risk for the remainder of the calendar year, largely due to lingering economic uncertainties. Freight logistics industry was affected by a significant decline in demand and the situation worsened with the increase in the supply of carriers. Ocean freight rates declined significantly across the globe.

The Group remained resilient despite the slowdown in economy and high operating costs. The Group's diversification in four business segments has proven to be a good business strategy as the negative impact from freight logistics services was mitigated by improved performance from financial services and commodity marketing. The Group returned profit before taxation of HK$230,029,000 (six months ended 30 June 2022: HK$242,347,000), a 5.08% decrease against the first half of 2022 despite a 24.2% decline in revenue to HK$16,940,835,000 (six months ended 30 June 2022: HK$22,348,157,000). Revenue decreased mainly due to lower commodity volume traded coupled with lower commodity prices, notably copper.

Logistics Services

Warehousing and Integrated Logistics ("WIL")

Singapore's projected GDP growth for 2023 has maintained a range of 0.5% to 1.5%, reflecting a moderate outlook. However, the transportation and storage sector experienced a slowdown, with a year-on-year growth of 0.7%. This deceleration can be attributed to various factors, including the limited availability of warehousing space, as no new warehouses are expected until the first quarter of 2024. The future warehouses that are under development have already been pre-committed, leaving limited space for potential occupants.

Furthermore, the global disruptions in the supply chain have introduced volatility in demand patterns, contributing to the prevailing uncertainties. In response to the heightened demand and the uncertainty surrounding future supply, rates for warehousing services have witnessed recent increases. This upward trend is anticipated to persist as the sector faces slower supply growth.

Our warehouses are operating at full capacity. This stability is expected to prevail over the next 12 months, with contract renewals occurring at higher prevailing market rates. By capitalising on the favourable market conditions, we are well-positioned to maximise the value of our warehousing facilities and drive sustainable growth within the sector.

Within the chemical industry, meticulous supply chain management has emerged as a prominent focal point, driven by the advent of disruptive factors such as COVID-19 restrictions and geopolitical events. Recognising the significance of early detection and adept responses to supply chain disruptions, industry participants are actively undertaking initiatives to enhance risk management capabilities and fortify resilience. Moreover, concerted efforts are being made to invest in emissions-reducing technologies, aligning with the industry's commitment towards low-carbon emissions targets.

As a prominent service provider catering to the chemical industry, we have assumed a proactive stance by actively engaging our valued clients and industry counterparts. Moreover, we have embraced digitalisation and automation within our operations, imparting heightened levels of productivity and efficiency to our clients. By leveraging cutting-edge technologies, we endeavour to deliver optimal outcomes in an ever-evolving landscape, facilitating sustainable growth and operational excellence for our clientele.

In the context of our comprehensive market analysis, it has been observed that the logistics services catering to the food and beverage industry, particularly the wine sector, in Singapore, have witnessed a substantial surge in demand during the initial six months of the year under review. This notable upswing can be attributed primarily to the escalating consumption of these products among the local populace, as well as the influx of tourists.

Given the prevailing circumstances, we project a continuation of this heightened demand throughout the latter half of the year, bolstered by the ongoing economic recovery and the approaching festive season. In light of these foreseeable market dynamics, we strongly advise our clients to proactively strategise and secure their logistics contracts with our organisation without delay. Such proactive measures will enable them to avert any potential setbacks or disturbances in their supply chains.

By promptly engaging our services and entering into contractual agreements, our clients can ensure seamless and uninterrupted logistical support, thereby safeguarding their business operations from any adverse impact arising from logistical delays or disruptions. Our team is poised to provide tailored solutions and reliable support to meet the unique requirements of our clients, thereby fortifying their competitive edge and fostering sustained growth within their respective sectors.

Freight Logistics

The favourable market environment which benefitted the business segment for the last two years has completely turned around in 2023. Freight rates had plunged significantly in the fourth quarter of 2022 and continued to decline further in the first half of 2023 to below pre-pandemic levels for many sectors. This is due to reduced demand and the capacity expansion of shipping lines, which puts continuous pressure on ocean freight rates, keeping them consistently low.

Cargo volume has significantly decreased and shows no signs of improvement. Despite the easing of COVID-19 related restrictions in China, our anticipated recovery did not materialise. The decline in volume is more pronounced in Asia compared to Europe, the Middle East, and Central America. The Chinese market, in particular, is experiencing a contraction in overall volume and intensified competition. We anticipate further drops in cargo volume within the market.

Amid the overall decline in volume, competition has become exceptionally fierce as players vie to retain their market shares. This heightened competitive landscape has worsened the decline in selling rates, resulting in negative margins in some regions. Moreover, the aggressive acquisitions by major competitors have disrupted our Europe network and compromised our performance. In response to these challenges, we are reinventing ourselves and implementing significant strategic changes. Our plan involves strengthening cargo hubs, enhancing relationships with key customers, and defending our volume levels before they fall below optimal thresholds.

We have made substantial investments to maintain service quality and improve our market share, as well as taken measures to counter the volume decline. However, it will take time for their effects to be fully realised. Our strategy leverages the strengths of our hubs to increase competitiveness across our network and capitalise on generated volumes for more profitable services. Additionally, we are actively pursuing global accounts and engaging them for mutually beneficial collaborations. We anticipate some of these initiatives to yield positive outcomes in the latter part of the year.

Commodity Logistics

For the six months ended 30 June 2023, our Commodity Logistics business achieved a commendable revenue growth of 7.0% and an EBITDA growth of 6.0% compared to the corresponding period in the previous year. This robust performance can be attributed to the resilience demonstrated across all our business units, primarily driven by the strong performance of our soft commodity warehousing and logistics services.

Despite our warehouses operating at full capacity and strong performance from our soft commodity warehousing and logistics business, the significant drop in ocean freight rate coupled with the decline in freight logistics volume, Logistics services segment reported a 43.7% decrease in revenue at HK$2,428,144,000 and a 64.1% decrease in profit before taxation at HK$98,844,000.

Looking ahead, we anticipate that the macroeconomic landscape will remain challenging in the latter half of the year due to ongoing geopolitical developments. However, despite these challenges, we maintain cautiously optimistic outlook as we expect to sustain the positive growth trajectory and earnings trend.

Commodity Marketing (“CM”)

CM has experienced a mixed performance in its trading volumes in the first half of 2023. While there was a decline in the total traded volume of concentrates compared to the previous corresponding period, the trading volume of refined metals has increased. Additionally, during the first half of 2023, CM commenced trading in energy products, marking a significant expansion of our product portfolio.

Notwithstanding our progress, CM faces challenges such as high financing costs and a surplus concentrate market, characterised by less aggressive purchasing from Chinese smelters and no major supply-side disruptions. Despite these hurdles, we have successfully stabilised our concentrates trading position and remain vigilant in identifying and capitalising on profitable trading opportunities. We are pleased to note that softening freight rates and a slight contango market structure have contributed to more favourable trading conditions overall.

As part of our growth strategy, CM has been actively expanding its sourcing presence in Africa, a region rich in resource potential. Additionally, we have successfully initiated trading in new product lines, namely aluminium and energy products, with the strong support of key counterparties and broader stakeholders.

In terms of financial performance, CM reported a modest 6.9% decrease in revenue to HK$12,862,945,000 for the six months ended 30 June 2023. This decline was primarily attributed to lower traded volumes and prices. Despite a decrease in revenue, CM reported profit before taxation of HK$44,089,000 against loss before taxation of HK$13,695,000 over the previous corresponding period due to beneficial copper blend and positive finalisation.

Going into the second half of 2023, CM is determined to capitalise on advantageous spot opportunities in both the concentrates and refined metal space. Our commitment to strengthening market share in Africa remains steadfast, and we will continue to develop our new refined metals and energy product lines to foster diversification within the overall CM business.

CM is navigating through both challenges and opportunities in the commodities market. With a resolute focus on long-term stability and strategic choices, we are well-positioned to drive positive growth on gross and net revenue in 2023 and beyond. Our expanding product portfolio and growth initiatives will contribute to the overall success of CM and ensure sustained success in the years to come.

Financial Services

In the first half of 2023, our Financial Services arm witnessed a noteworthy expansion in our total customer Asset Under Management ("**AUM**") within the derivatives segment. We are pleased to report an average increase of approximately 5% over the past six months. This growth has been instrumental in driving higher trading volumes and generating increased interest income.

In line with our strategic objectives, we are actively expanding our geographical footprint in key financial centres and emerging markets. Notably, we are making significant strides in establishing our presence in Dubai and Vietnam. Over the past decade, we have proudly served as a Clearing Member of the Chicago Mercantile Group of Exchanges, the world's largest derivative exchange. Leveraging our expertise and experience, we are now forging partnerships with several major global exchanges to secure our position as direct Clearing Members, having already demonstrated stable and substantial clearing volumes on various global exchanges.

Recognising the importance of digital transformation, we continue to allocate resources towards its acceleration. Our primary goal is to enhance automation and achieve higher productivity. Equally important is our endeavour to digitise touchpoints that enrich our customers' on-boarding and trading experiences. This strategic focus not only facilitates our expansion into retail markets, but it also establishes a robust foundation for future growth. On that note, we are excited to report that our retail initiative in Indonesia has started to gain traction, representing a promising new business segment with exponential growth potential.

As we continue to make advancements in our Financial Services arm, we are confident that our initiatives will further solidify our position in the market. By consistently expanding our customer AUM, broadening our geographical reach, pursuing digital transformation, and exploring new business segments, we are well-positioned to seize emerging opportunities and create sustainable value for our stakeholders.

Equipped with right expertise and experience, the management team of financial services remains nimble and is sensitive to business opportunities and market demands that enable them to identify key financial centres and emerging markets and establish new footprints swiftly. The strategic advancement propelled financial services to accelerate and delivered stellar performance. Financial services' profit before taxation surged more than 1.6 times to HK$144,503,000 over the first half of 2022. The excellent performance was contributed by strong derivative business in Asia. On the other hand, revenue was 66.9% lower than the first half of 2022 due to lower trade volume from trade services as more resources were channelled to the safer and more profitable derivative businesses.

Engineering Services

During the first half of 2023, our Engineering Services ("**ES**") business exhibited robust performance and is anticipated to maintain its stability throughout the second half of the year.

Despite facing intense competition, Indeco Engineers (Pte) Ltd ("**Indeco**") successfully reclaimed one of our significant contracts with the Changi Airport Group. Moreover, several contracts were renewed based on our commendable operational performance. However, it is worth noting that the labour market remains tight even after the effects of the pandemic, presenting ongoing challenges. To mitigate this, Indeco has proactively expanded our recruitment efforts overseas while ensuring low attrition rates.

Our Design-and-Build division specialises in offering comprehensive solutions to customers in the industrial and logistics industry. The weak demand for new industrial and logistics facilities from last year continued on into 2023 due to significantly high construction costs and market uncertainties. In response, we are diligently pursuing new prospects and focusing on fit-out work as part of our business strategy moving forward.

ES's performance improved marginally reporting an 11.3% increase in revenue to HK$358,715,000 and a 31.0% increase in profit before taxation to HK$15,846,000 over the previous corresponding period. ES managed to secure higher contract sum projects coupled with re-secured of certain projects contributed to higher revenue. ES's operating profit before taxation was boosted by better margins from certain contracts.

LIQUIDITY, FINANCIAL RESOURCES AND FINANCING ACTIVITIES

As at 30 June 2023, the Group had cash and cash equivalents of HK$2,293,327,000 (31 December 2022: HK$1,691,622,000). Cash and bank balances are mostly held in Hong Kong dollar, United States dollar, Singapore dollar, Euro and Renminbi and deposited in leading banks with maturity dates falling within one year. On the other hand, the Group had loans and borrowings of HK$4,905,293,000 (31 December 2022: HK$5,732,096,000), of which an aggregated amount of HK$3,412,740,000 (31 December 2022: HK$4,177,317,000) was repayable within one year, including revolving short-term trade facilities of HK$2,610,189,000 (31 December 2022: HK$3,684,329,000) at the interest rate within 6.57% to 8.05% (31 December 2022: 5.88% to 7.31%) per annum that are used to finance the working capital of the Group's commodity marketing business.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

For the six months ended 30 June 2023, the Company did not have any material acquisitions and disposals of subsidiaries and associated companies.

SUBSEQUENT EVENTS

Except as disclosed in notes 12, 13(a) and 13(b) to this announcement, the Group did not have any other material subsequent event after the reporting period and up to the date of this announcement.

LOOKING FORWARD AND OUR STRATEGIES

In the first half of 2023, for most economies, the priority remains reducing inflation while ensuring financial stability. Business and consumer sentiments are recovering, and the re-opening of China has provided a boost to global activity. However, global economic growth are still clouded by scarring from the COVID-19 pandemic, extreme weather incidents, and structural macroeconomic challenges, such as weak investment and mounting debt vulnerabilities. Organisation for Economic Co-operation and Development ("**OECD**") projects a moderation of global GDP growth from 3.3% in 2022 to 2.7% in 2023, followed by a pick-up to 2.9% in 2024.

Under such circumstances, we consider it necessary to continue focusing on core industries, enhancing core competence and seeking for business opportunities in developing countries for risk diversification reasons. Hainan Free Trade Port has been one of ports with the highest level of openness in the world nowadays, and an increasing number of global enterprises have set out regional headquarters or branch offices in Hainan Province. The Group continues to explore business opportunities in Hainan Free Trade Port and Southeast Asian countries through multiple routes, such as establishing strategic cooperation and joint venture with local business partners. As our footprint in Mainland China continues to deepen, we endeavor to learn from our experience and copy the success in Singapore and other global regions.

For the second half of 2023, in additional to operating the business with caution, the Group will continue to seize the unusual opportunity in Hainan, the PRC to maximise the shareholders' interests and earn a brighter future.

INTERIM DIVIDEND

The Board did not declare an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (whether on the Stock Exchange or otherwise) during the period under review.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Part 2 of Appendix 14 to the Listing Rules for the reporting period from 1 January 2023 to 30 June 2023, except the following deviation:

Pursuant to code provision C.2.1, the role of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Wang Kan has been appointed as the chairman of the Board (the "**Chairman**") and the chief executive officer of the Company (the "**Chief Executive Officer**") since 21 February 2022.

The Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient on overall strategic planning for the Group. The Board considers this structure continues to enable the Company to make and implement decisions promptly and effectively. The Board believes that the balance of power and authority is adequately ensured by the operation of the Board, which comprises experienced and high calibre individuals with a sufficient number of independent non-executive directors.

Therefore, the Directors consider that the reasons for deviation from code provision C.2.1 are appropriate in such circumstance.

APPRECIATION

The Board would like to take this opportunity to extend its sincere gratitude to all shareholders, investors, customers, suppliers and business partners of the Company for their valuable and continuous support and trust to the Group. The Board would also extend its gratitude and appreciation to all of our management and staff for their tireless efforts, diligence and dedication throughout the period.

CONTINUED SUSPENSION OF TRADING IN SHARES

At the request of the Company, trading in the shares of the Company (the "**Shares**") on The Stock Exchange of Hong Kong Limited has been suspended since 9:00 a.m. on 3 April 2023 and will continue to be suspended until further notice.

The shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares.

By order of the Board
CWT INTERNATIONAL LIMITED
Wang Kan
Executive Director

Hong Kong, 21 September 2023

As at the date of this announcement, the Board comprises Mr. Wang Kan (Executive Director, Chairman and Chief Executive Officer), Mr. Zhao Quan (Executive Director), Mr. Peng Biao (Executive Director), Mr. Xu Xu (Executive Director), Mr. Leung Shun Sang, Tony (Independent Non-executive Director), Mr. Liem Chi Kit, Kevin (Independent Non-executive Director) and Mr. Lam Kin Fung, Jeffrey (Independent Non-executive Director).

* *for identification purpose only*